

Message Text

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PAGE 01 MOSCOW 19100 071538Z

47

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SUBJ: 1976 OIL PRODUCTION MAY FALL SHORT OF TARGET

REF: MOSCOW 16761

SUMMARY: PRELIMINARY SOVIET DATA FOR THE FIRST ELEVEN MONTHS OF 1976

SHOW A RATE OF INCREASE IN OIL PRODUCTION OVER THE SAME PERIOD OF

1975 OF 5.8 PERCENT. AT THIS RATE, PRODUCTION SHOULD

FALL ABOUT 1 MILLION TONS SHORT OF THE 1976 GOAL OF 520 MILLION

TONS. ALMOST ONE-THIRD OF ALL OIL PRODUCTION ASSOCIATIONS REPORT-

EDLY ARE NOT MEETING PLAN TARGETS THIS YEAR. END SUMMARY.

1. AN "ECONOMIC COMMENTARY" BY V. KREMER, PUBLISHED IN

SOTSIALISTICHESKAYA INDUSTRIYA ON DECEMBER 4, REPORTS THAT

PRELIMINARY ELEVEN MONTH DATA OF THE MINISTRY OF OIL INDUSTRY

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PAGE 02 MOSCOW 19100 071538Z

SHOW THAT PRODUCTION INCREASED BY MORE THAN 25.6 MILLION

TONS (5.8 PERCENT) OVER THE SAME PERIOD IN 1975.

2. ACCORDING TO KREMER, WEST SIBERIA NOW ACCOUNTS FOR MORE THAN ONE-THIRD OF ALL SOVIET OIL PRODUCTION, AND THE REGIONAL PRODUCTION ASSOCIATION, "GLAVTYUMENNEFTEGAZ," IS EXCEEDING PLAN TARGETS FOR THIS YEAR BY ALMOST 3.2 MILLION TONS. THREE REASONS FOR THIS SUCCESS ARE CITED: USE OF THE "BLOC-COMPLEX" METHOD OF CONSTRUCTION; INTRODUCTION OF ELECTRO-CENTRIFUGAL PUMPS; AND FORCING WATER INTO STRATA TO MAINTAIN PRESSURE. GOOD PRODUCTION RESULTS WERE ALSO OBTAINED IN THE KOMI ASSR AND TATARIYA.

3. ON THE OTHER HAND, EIGHT OF TWENTY SIX OIL PRODUCTION ASSOCIATIONS HAVE NOT FULFILLED THEIR 1976 PLAN TARGETS AND HAVE A COLLECTIVE SHORT-FALL OF 3.25 MILLION TONS. THIS AMOUNT, COMMENTED KREMER, WOULD HAVE MORE THAN SUFFICED FOR THE MINISTRY TO MEET ITS TARGETS. THE PRINCIPAL DEFICIENT PRODUCTION ASSOCIATIONS WERE "BELARUSNEFT" (1 MILLION TONS), "MANGYSHLAKNEFT" (980 THOUSAND TONS) AND "KASPMORNEFT" (400 THOUSAND TONS).

4. ACKNOWLEDGING THAT "EXTERNAL, OBJECTIVE" FACTORS SUCH AS DEPLETION OF CERTAIN DEPOSITS, AND SHORTAGES OF EQUIPMENT AND TECHNOLOGY PLAYED A ROLE, KREMER ARGUES THAT "ERRORS" BY THE ENTERPRISES CONCERNED WERE THE PRINCIPAL CAUSE OF THE SHORTCOMINGS. THESE INCLUDE POOR USE OF EQUIPMENT, ACCIDENTS, AND POOR MANAGEMENT OF THE DEPOSITS. THESE PROBLEMS HAVE TWICE BEEN DISCUSSED BY THE COLLEGIUM OF THE MINISTRY OF OIL. "USEFUL" MEASURES WERE ADOPTED BUT THESE REMAIN "INADEQUATE." ONLY ONE DEFICIENT ASSOCIATION HAS SUCCEEDED IN REACHING PLAN TARGETS.

5. THE COMMENTARY ENDS BY CONTRASTING 1975, WHEN ONLY TWO OIL PRODUCTION ASSOCIATIONS DID NOT MEET PLAN TARGETS WITH 1976, WHEN ALMOST ONE-THIRD ARE LAGGING BEHIND. THIS SITUATION "CANNOT HELP BUT EVOKE CONCERN."

6. COMMENT: IF ONE EXTRAPOLATES ON THE BASIS OF THE ELEVEN MONTHS RESULTS, 1976 OIL PRODUCTION SHOULD FALL ABOUT 1 MILLION TONS BELOW THE PLAN TARGET OF 520 MILLION TONS, LIMITED OFFICIAL USE

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PAGE 03 MOSCOW 19100 071538Z

WHICH WAS SET SIX PERCENT OVER THE 1976 OUTPUT OF 491 TONS. THE POSSIBILITY OF LAST MINUTE "STORMING" MAY BRING THE FINAL FIGURE CLOSER, BUT THAT MAY BE LESS LIKELY GIVEN THE DOWNWARD PRODUCTION TREND SINCE OCTOBER: THE NINE MONTH PERCENTAGE RATE INCREASE OVER 1975 WAS SIX PERCENT, THUS INDICATING ONSET OF PRODUCTION PROBLEMS IN OCTOBER-NOVEMBER 1976.

7. THE PRODUCTION BREAKDOWN BY REGION AS GIVEN IN THE

COMMENTARY, AGAIN HIGHLIGHTS THE CRUCIAL ROLE OF WEST SIBERIA IN FUTURE SOVIET OIL PRODUCTION. THE PERFORMANCE OF THAT REGION THIS YEAR HAS FAR EXCEEDED TARGETS, BUT IS APPARENTLY INSUFFICIENT TO OVERCOME SHORTFALLS IN THE "OLD" PRODUCING REGIONS AND STILL REACH 1976 TARGETS. SHOULD SOVIET PROJECTIONS FOR WEST SIBERIAN PRODUCTION PROVE OVERLY OPTIMISTIC, FUTURE PRODUCTION SHORTFALLS COULD BECOME MORE SERIOUS THAN IN THIS YEAR.
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